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Hearings on the Senior Executive Service
November 7, 1983

Honorable Charles A. Bowsher
Comptroller General of the United States

OPENING STATEMENT OF REP. PAT SCHROEDER,
CHAIRWOMAN, SUBCOMMITTEE ON CIVIL SERVICE,
COMMITTEE ON POST OFFICE AND CIVIL SERVICE,
AT HEARINGS ON THE SENIOR EXECUTIVE SERVICE,
NOVEMBER 7, 1983

We are honored to have the Comptroller General of the United States, Charles A. Bowsher, here today to unveil the results of a year of intensive work by the General Accounting Office (GAO) reviewing the operations of the Senior Executive Service (SES).

Today's hearing is the first of a series of hearings this Subcommittee will be holding on the occasion of the fifth anniversary of the establishment of the Senior Executive Service, an event to occur next July. Not only is the five year point a good time to take a look back, but there is also a statutory five year congressional review requirement contained in the Civil Service Reform Act of 1978.

This sunset provision was added to the Reform Act at the behest of our former colleague Gladys Noon Spellman. Representative Spellman wanted to highlight the experimental nature of the SES and wanted to insure probing scrutiny of the program. This Subcommittee is attempting to fulfill the intent of the Spellman amendment and we have sought the help of the GAO in doing so.

In October, 1982, I asked GAO for a comprehensive analysis of the workings of the SES. As you can see from the size of Mr. Bowsher's detailed statement, GAO took the assignment quite seriously.

At the conclusion of today's session, we will print up Mr.

Bowsher's statement and the questions and answers and will distribute them to a broad range of individuals and organizations who are interested in commenting on the SES. At future hearings, these people can use GAO's findings as a starting point for their own critiques of the SES.

Without further comment, I introduce our witness, Comptroller General Bowsher.

UNITED STATES GENERAL ACCOUNTING OFFICE
WASHINGTON, D.C. 20548

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SUMMARY STATEMENT OF CHARLES A. BOWSHER
COMPTROLLER GENERAL OF THE UNITED STATES

BEFORE THE

SUBCOMMITTEE ON CIVIL SERVICE
HOUSE POST OFFICE AND CIVIL SERVICE COMMITTEE

ON

AN ASSESSMENT OF THE IMPACT OF
THE SENIOR EXECUTIVE SERVICE

Madame Chairwoman and Members of the Committee:

I am pleased to be here today to discuss our work in response to your request for an overall assessment of the Senior Executive Service (SES). SES, established by the Civil Service Reform Act, has often been called the cornerstone of civil service reform. The act provided for major changes in the management of the government's executive corps designed to achieve improvements in the efficiency, effectiveness, and responsiveness of government operations.

I have a detailed statement which I would like to summarize for you and submit for the record. My testimony today will provide our general observations on SES and highlight some areas that warrant your attention.

We focused our work on four areas in which the act established major goals for SES:

--Executives should be held accountable for government operations, and decisions related to their compensation, retention, and tenure should be based on their performance.

--Agencies need greater flexibility in using their executive resources.

--Executives should be protected from improper political influence.

--Executives' managerial capabilities should be improved.

Our work indicates progress is being made toward achieving the act's goals in these areas. Further progress depends largely on how well the Office of Personnel Management (OPM) and agencies implement the act. We believe there are some areas where improvements can be made.

A brief look at how the SES corps has changed since it was established in July 1979 should provide some perspective for our observations. The size of the SES corps, which includes nearly 6,900 members, has remained fairly stable. From July 1979 to March 1983, there has been a slight decrease in the number of slots allocated to the agencies by OPM, a slight increase in the number of positions established by agencies, and a slight decrease in the number of positions filled. A closer look, however, reveals considerable change. Overall, almost 3,500 career and noncareer SES members have left SES and government service and an additional 200 have retreated to GS-15 positions. More than 40 percent of the career executives who converted to SES in

July 1979 have left--roughly 2,500 of the 3,500 departees.

Although we could not identify where all new SES members came from since the inception of SES, we did find that in fiscal year 1983 about 92 percent of all new career SES members came from within the federal government.

I would like to discuss our observations on the four areas in which we focused our work.

EXECUTIVE ACCOUNTABILITY

The act required agencies to implement performance appraisal systems to hold executives accountable for individual and organizational performance and provide a basis for reward and retention decisions. We found that agencies have implemented performance appraisal systems. The systems are used primarily to assess individual performance, but there is no explicit link to organizational performance. Reasons cited by agency officials for the lack of emphasis on linking individual to organizational performance were (1) the lack of performance measurement data and (2) the difficulty in identifying individual contributions to the accomplishment of organizational objectives.

Our review of 1,100 randomly selected performance appraisal plans shows that a majority of the plans (1) did not address the act's appraisal criteria for focusing attention on organizational performance improvement goals, (2) lacked specific statements of expected performance, and (3) were prepared after the beginning of the appraisal cycle and were not updated or revised

when executives' responsibilities changed. In addition, plans were not prepared for a majority of noncareerists. Such shortcomings in performance planning inhibit the effectiveness of SES appraisal systems as tools for managing and improving individual and organizational performance.

Although 71 to 88 percent of senior executives we surveyed generally gave positive responses about their own performance plans and appraisals, over half of the executives believed their agency's SES performance appraisal system (1) had minimal effect on performance, (2) had not improved communication between superiors and subordinates, and (3) was not worth its cost.

To encourage excellence in senior executives' performance, the act provided that career executives could receive bonuses. The act limited the number of bonuses to 50 percent of the total positions allocated to each agency. Because of concerns that agencies were awarding too many bonuses in the first year, the Congress reduced the number of SES members who could receive bonuses from 50 to 25 percent. In July 1980, OPM further limited bonuses to 20 percent. The 20-percent limitation was subsequently included in appropriation bills for fiscal years 1982 and 1983.

Agency officials told us that performance appraisals are used in deciding who receives bonuses and awards. Similarly, a majority of senior executives surveyed during our review of SES performance appraisal systems believe their ratings were used at least to some extent, in bonus and award decisions. However,

the personnel officials and senior executives both believe that because of the restriction on the number of senior executives who can receive bonuses, the act's motivational goal is not being achieved. Both groups are also concerned with the fairness of bonus and award systems because they believe that factors other than performance are considered in making awards. We reported on this perception in September 1981 and found it still exists during our recent work.

The limit on bonuses contained in appropriation bills has not been renewed for fiscal year 1984. OPM, however, is issuing guidance which will restrict the number of bonuses to between 30 and 35 percent of an agency's career appointees. While the increase in the number of SES members who can receive bonuses will alleviate, to some degree, the concerns expressed with bonuses, some of the negative feelings directed at the limitation contained in appropriation bills may continue because OPM's proposal is still below the number allowed in the act. We received many comments from SES members that such bonus limitations represent a "breach of contract."

The act provided that poor performers identified through the appraisal process would be reassigned, transferred, or removed from SES. We found, however, that very few senior executives have received less than fully successful ratings since the creation of SES. Further, we found very few actions taken to deal with individuals identified as performing poorly.

Agency personnel officials told us that SES members may be reassigned to positions which agency officials believe are more suited to their talents--a remedy called for in the act--even though they may not be given unsuccessful ratings. Early retirement--another option for individuals removed from SES for poor performance--also seems to be used. Between July 13, 1979, and June 30, 1983, 204 SES members retired early. Two retired early under the poor performance provision, 135 retired early because of an agency-initiated action such as their position was abolished or they refused to accept a geographic reassignment. We found that while the 135 were generally rated fully successful, they were rated lower as a group than SES members as a whole.

AGENCY FLEXIBILITY IN
MANAGING EXECUTIVE RESOURCES

The Civil Service Reform Act made two changes that gave agencies greater flexibility in managing executive resources:

- (1) the authority to establish and fill executive positions and
- (2) the rank-in-person system which increased agency flexibility to reassign executives.

The act established a biennial allocation process under which agencies request slots for 2 fiscal years. OPM then allocates slots within the 10,778 limit set by the Congress. Each agency establishes and fills positions it believes appropriate. OPM has oversight responsibility to assure that positions included in SES are justified. OPM's oversight mechanisms include

(1) the review of agency justifications for the number of SES slots, (2) the Qualification Review Board's review, and (3) onsite evaluations conducted by OPM program officials.

We found that OPM's oversight mechanisms may not be adequate. The review of agency justifications for requested slots has limited effectiveness because once OPM allocates an SES slot, the agency has the authority to use the slot for a position other than the one used for the justification. OPM's Qualification Review Board process is limited because it only takes place when a position is being filled by a new SES appointee--positions filled by reassignment are not reviewed. OPM's onsite evaluations are limited by staff availability and the short time the staff spends onsite--usually 2 weeks or less.

Of all SES provisions, perhaps none has created more controversy than the increased flexibility to reassign. Agency managers are pleased with the SES reassignment provision and the number of reassignments is increasing. Senior executives, however, feel that they are not protected from arbitrary actions to the same extent they were under the pre-Civil Service Reform Act system and would like a greater voice in their reassignments. They are also concerned about geographic relocations, which can involve large out-of-pocket expenses. Legislation has recently been introduced (H.R. 3852) which would increase the amounts

paid by the government for geographic relocation. If this bill is enacted, we believe senior executives would be more adequately compensated for the costs of relocations.

SES POLITICIZATION SAFEGUARDS

In terms of the act's goal of providing an SES free from improper political interference, congressional concerns when the act was being considered were two-fold: first, that too many noncareer executives might change the overall nonpartisan nature of the civil service; and, second, that new agency administrators would not take time to properly assess career senior executives before making decisions on their performance or reassigning them to new or different duties. We found that the safeguards specified in the act have been adhered to:

- The number of noncareer senior executives has not exceeded 10 percent of all SES positions or the restriction set for each agency.
- The number of limited term and emergency appointments has never exceeded 1 percent of SES positions--well below the 5-percent limit.
- There were no indications of widespread abuse of the 120-day get acquainted period during which actions that new administration officials can take with SES members are limited.

MANAGERIAL COMPETENCY

To improve managerial competence, the act provided for the establishment of executive development programs. We found that

executive development programs have generally received high marks from personnel officials, SES incumbents, and SES candidates. SES candidates told us that the development programs have better prepared them to take on SES level responsibilities. SES incumbents told us that agencies' incumbent development activities have helped them perform their jobs better.

Personnel officials did point out, however, that, although recruitment from among the ranks of GS-15s is not a problem, SES pay and benefits are not adequate to attract and retain top quality managers from the private sector. A related problem personnel officials pointed out was the difficulty they have recruiting individuals in the technical/scientific fields. Agencies frequently offer SES positions to attract these individuals, however, since SES is comprised of managers, it is sometimes difficult to justify the managerial qualifications of scientists.

Let me conclude by expressing the view that, in general, progress is being made in achieving the Congress' objectives in establishing SES. Agencies have greater flexibility in using their executive resources; management processes are being rationalized and improved as executives establish their individual performance goals; it is easier to deal with ineffective managers; and greater emphasis is being placed on executive development. Some SES members, however, are concerned with how

agencies are using their enhanced management abilities. Undeniably, there are problems that require attention. It is difficult to say how widespread these problems are.

Finally, I would like to share with you a personal view of SES, based on my private sector experience. In the private sector, I was able to hire and retain quality people by paying adequate salaries. I recognize that the degree of flexibility in paying salaries and bonuses that exists in the private sector is not feasible in the federal government. However, the act provided for positive changes in these areas which have not come to pass. Limitations have been placed on salaries that can be paid to executives. These limitations have adversely affected the government's ability to hire and keep top quality executives. Agency managers have been hamstrung in their ability to reward deserving individuals because of the limitations that have been placed on the number of executives that can receive bonuses. In my view, such salary and bonus limitations may adversely affect the act's goal of developing a highly competent executive corps.

I endorse raising the number of bonuses that can be awarded as OPM suggests in its guidelines which would provide for a 30 to 35 percent limit. I recognize that the current limit of 20 percent was set because of the perception that too many bonuses were being awarded during the first year. I expect that the agencies have learned a lesson and will be more prudent in the future. I would also like to point out that it would not be

costly to give more bonuses. For example, based on the average bonus award in fiscal year 1982, increasing the number of bonuses to 40 percent of the career SES members would cost \$14 million. Increasing the number to 50 percent would cost \$18 million. Such increases are small in relation to the federal payroll but could do much to alleviate SES members' negative views on the bonus program and help achieve the act's goals.

Accordingly, I believe it would be prudent to increase the number of positions eligible for bonuses by 5 to 10 percent each year for the next few years until they reach the 50-percent limit envisioned by the act. If OPM declines to take this step, which in my view would increase the probability of maintaining a highly competent executive corps, the Congress may wish to act to do so. I would offer the services of our Office to provide the Congress continuing assurance that the agencies are administering the bonus program fairly and equitably in the future.

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This concludes my prepared remarks; I will be happy to answer any questions you may have.

HEARING
CIVIL SERVICE SUBCOMMITTEE
COMMITTEE ON POST OFFICE AND CIVIL SERVICE
U.S. HOUSE OF REPRESENTATIVES

7 November 1983

Terry B. Cronin summary of questions asked by Congresswoman Patricia Schroeder (D., CO), and answered by Mr. Charles A. Bowsher, Comptroller General of the United States.

Q. SES annual leave provision of Act O.K.?

A. SES incumbents love it--data so far indicates +/- 105 hours a year being added on average--from Congressional viewpoint, it is a ticking time bomb because of very large terminal leave payments that are being accumulated.

Q. SES Performance Appraisal System O.K.?

A. Not the best, but system now in place and every year gets a little better, so I am not totally negative on it--in industry, a good system takes +/- 10 years from inception to really pay off.

Q. What % of SES incumbents are dissatisfied?

A. While lots of dissatisfaction, Government Accounting Office (GAO) reviewers who worked on study did not find much support--probably reflects "vocal minority" to large degree.

Q. Improper use of SES reassignments?

A. Very limited and narrow dissatisfaction--on balance, we found no substantial evidence to support concern:

1,100 SES reassignments in FY 1983, only
170 geographical relocations.

Q. Number of early retirements O.K.?

A. No hard evidence--very few poor performance early-outs cited. Of more concern is the 79-83 number of young SES officer resignations (non-political).

Q. All Reagan Administration policy-making jobs above SES level?

A. Probably, and it is a problem. Too many campaign employees input as Schedule "C" employees, although total % as part of SES has never gone above the 10% Congressional threshold.

Q. How good an oversight job is Office of Personnel Management (OPM) doing?

A. Two areas where trouble, but need more staff.

Q. Re bonuses, what is problem?

A. Basically, change down from 50% participation to 20% had largest negative impact on incumbents.

Q. How does 20% limitation affect the other 80%?

A. Over 3-5 year period. may be security blanket for non-performers. Top performers always do well. If 50% eligible, the non-performers will become more visible.

Q. Will Act help SES risk-taking and productivity?

A. Awful hard to tell. At 20% the answer not clear. System at 50% would motivate the remaining 80% move to gain share of larger pool.

Q. Do you believe this 50% issue is a very important and fundamental issue?

A. Yes, I do.

Q. More important than annual leave accumulation provision?

A. Yes--a good trade-off if one necessary--more bonus opportunity will probably reduce migration of SES corps (non-political).

Q. Why retreat of +/- 250 SES's to GS-15?

A. Lack of security, if anything, but not at all clear.

AN ASSESSMENT OF THE SENIOR INTELLIGENCE SERVICE

Introduction

Having been associated with the Senior Intelligence Service (SIS) since its inception in November 1979, and now on the eve of my departure for a new assignment, having served in an administrative capacity for the past three years, I would like to put forth my views, perceptions, and suggestions regarding: (1) Has the SIS fulfilled the intended overall purposes, (2) has it benefited the Agency, (3) have our senior officers benefited from the Program, (4) should there be a formal Agency reappraisal of the entire SIS concept and its component parts, and finally, (5) what are some of the alternatives that might improve or conceivably replace the SIS system?

Background

1. By way of background the SIS resulted from the Carter Administration attempts at Civil Service Reform that came about in 1978. At that time the concepts and principles of the Civil Service Reform Act were ostensibly new to the Federal sector and politically attractive in that the SES, Merit Pay, and Performance Appraisal were the panacea for senior and mid-level Federal work force rejuvenation. The Agency, with Director Turner's encouragement, opted to get on the bandwagon by adopting its form of the SES.

2. At the time of conversion to SIS all supergrade, SPS, EP-5, and EP-4 officers were offered conversion opportunity to the appropriate SIS level, ensuring that their then current rate of pay would be no less than their current status. The election as presented, favored SIS conversion by pointing to the advantages of awards, unlimited leave, potential for advancement, sabbaticals, etc., while, at the same time, identifying the disadvantages of nonconversion, i.e., none of the benefits associated with the SIS. The result was that all officers eligible opted for conversion except one supergrader scheduled for retirement. This approach of offering membership in the SIS met with a degree of dissatisfaction and uncertainty in that it appeared to be a stacked deck for the SIS side of the ledger. It is my opinion that senior Agency management wanted to emulate the SES concept, believed that there were tangible benefits for our senior officers and that it would be ineffective to operate a dual system of SIS and supergrades ergo the all out effort to convince all eligibles to convert. During the ensuing year there were several set-backs that tended to discredit the SIS in the eyes of the membership i.e., the \$50,112.50 pay cap compressed SIS and GS pay whereby senior 15's equated to SIS-1--SIS-5 levels - this condition has prevailed up to the current SIS/GS rates whereby a senior GS-15 earns as much as an SIS-3. Reduction of the bonus percentage by Congress from 50 percent to 20 percent was also an external negative action. Much has been expressed by the membership with regard to how the awards process works in the Agency. Those have-nots are critical of the process in that it is the "old boy network" and some of the have's express concern over why did I get the award, why is it a secret, and so on. Furthermore, membership realization that we classify jobs within the SIS structure versus the SES "Gradeless Society" whereby the population is

predominantly SES 3/4 causes concern. Also our general policy of promotion from GS-15 to SIS-1 versus SES appointment or pay adjustment to a higher SES level causes the belief that we are penalizing our senior officers. This belief is now of greater concern with the lifting of the SIS pay cap to \$67,200. This background is intended to set a framework for my following comments on the system and it should be pointed out that these background observations result from general comments and reactions I have encountered in dealing with SIS members primarily at the SIS-1--SIS-3 levels.

Purposes

Having set the stage, has the SIS fulfilled the intended overall purposes which are:

1. To ensure that senior officer management is of the highest quality and fully responsive to the needs, policies, and goals of the Nation.
2. To provide the Director of Central Intelligence with a centralized mechanism through which to develop equitable personnel management policies for senior officers and to direct and monitor their implementation and enforcement.
3. To develop and maintain a highly motivated and competent group of individuals capable of filling senior level positions and to provide the type of quality performance needed for the continued success in fulfilling the DCI's missions and functions.
4. To provide for a compensation system including salaries, benefits and incentives and for other conditions of employment designed to attract and retain highly competent senior officers.
5. To ensure the systematic development of highly competent candidates for entry into the SIS and the continuing development of personnel already members of the SIS.
6. To provide for counselling, training and other assistance for those officers who are not performing to established standards to help them become successful performers.

With regard to purpose number 1 it is uncertain whether the SIS concept has insured the highest quality of senior officer management. The tangible benefits such as awards, unlimited leave, etc. tend to be taken as a "given" after a period of time while motivation, job challenge, intellectual honesty, and dedication are some of the ingredients that foster "high quality" senior management. To identify or instill these qualities or characteristics is no simple task and requires sincere interest on the part of senior management to develop and encourage subordinates to broaden their horizons and to perform at an optimum level. Having accomplished this, compensation and fringe benefits tend to become secondary for the subordinate manager so long as any disparity

is within a reasonable range. The SIS mechanism that should focus senior managers on this problem is the Senior Officer Development Program. The general reaction is that the SODP is a bureaucratic aberration of the SIS and that Career Services are already doing the things prescribed in the SODP, such as training planning, succession planning, rotational assignments, etc. This may serve the purpose at the Career Service level, however, a viable centralized senior officer development program should be considered for those SIS officers having the potential to advance to the Agency management level. It is also of interest to note the increasing number of senior rehired annuitants necessary to fulfill Agency requirements. Does this mean that our succession planning and senior officer development efforts require a new look and should there not be greater emphasis on SIS candidate development at the GS-15 level?

Purpose number 2 specifies a centralized program to enable the DCI/DDCI to direct, monitor and enforce SIS policy. To a large extent this centralized control resembles the same management practices exercised for supergrade officers i.e. the DCI/DDCI approved positions, promotions or any other significant personnel action such as COS assignments, key officer assignments, etc. The advent of SIS is an extension of centralized control in that awards, sabbaticals, and all SIS assignments are approved at the DCI level. In this regard it is questionable as to whether SIS-1—SIS-2 assignments should require approval at the DCI level versus Career Service level.

Purpose number 3 is to develop and maintain a cadre of "highly motivated and competent" group of individuals capable of filling senior level positions. SIS candidate development is solely a Career Service function as the system operates today with varying degrees of emphasis and commitment on the part of Career Service management. In large measure candidate development is achieved through assignment to a specific SIS position with less emphasis on management training in the spheres of planning, budgeting, data processing systems, personnel management, etc. Herein lies a problem, as these officers progress to more senior SIS levels their management responsibility turns from substantive areas to broader resource control. Rotational assignments seem an unsolvable enigma in that fast track officers are not farmed out on rotational assignments and the "out of sight out of mind" syndrome prevails. To some extent rotationals have become more prevalent, however there should be a mechanism to determine whether the rotation contributes to senior officer development. This would be similar to the recently established OP monitoring of officers completing senior schools and their next assignments. The problem here, however, is who is in the best position to determine whether the next assignment is career enhancing - OP or the Career Service? Obviously the Career Service is in the best position to make this judgment. Most importantly, though, is how to develop a highly motivated group of individuals capable of filling senior level positions and to provide the type of quality performance needed for the continued success in fulfilling the DCI's missions and functions. Much has been said on the subject ranging from focusing on morale, dedication and loyalty to making compensation and benefits more attractive at headquarters and overseas. In the near and conceivably long

term, considering the plight of the federal worker with regard to pay freeze, reduced retirement benefits, reduced medical coverage - and all at a higher cost to the employee - internal management attention should focus on motivation of the SIS employee. Here again the emphasis should relate more closely to a meaningful senior officer development program, GS-15 candidate selection and development, insuring that senior positions are structured to permit increased responsibility, encourage innovation, incumbents are held accountable for their actions and that marginal performers are not permitted to stifle or discourage junior SIS managers or specialists.

Purpose number 4, "to provide for a compensation system including salaries, benefits, etc. designed to attract and retain highly competent senior officers," is probably one of the most controversial aspects of the SIS in that it is the most visible and has an immediate dollar impact on the membership. In this area, compensation and benefits should be equitable internally and then equitable with the SES population. Compensation and benefits becomes a very "personal" matter and it is exceedingly difficult to rationalize any pay or benefit package that is perceived to be less than the "outside" world i.e. SES, SFS, etc. Although our percentage of SIS-1--SIS-2 is greater than the rest of government, which is primarily SES-3, SES-4, our percentage of SIS positions to total workforce is higher. Does this imply that our SIS positions are overgraded or are we underpaying our officers in relation to their SES counterparts. In order to set this issue at rest, PMCD or SIS/SS should undertake a study to compare SES/SIS equivalent positions with regard to qualifications, responsibility, etc. This would, if the results are favorable, reenforce any request to OMB for additional SIS ceiling or pay relief. The SIS awards side of the benefits package is another area of membership expressed concern with regard to administration of the bonus system, purpose and timing of awards, impact on morale, do awards motivate a higher level of performance, does the secrecy of the performance award recipients negate the purpose, etc. Unless the award is a measure of specific contribution or performance, i.e. contribution to profit, it is practically impossible to delineate specific criteria that would be viewed by the membership as a fair and equitable method for determining awards. Obviously AWP's and performance standards are not the practical answer in that they are generalized and artificial in relation to specific goals and objectives. The 50 percent , 20 percent rule or any other award quota defeats the real intent of the system in that a "ranking cut off" by the Career Service tends to recognize SIS officers at varying levels of performance in the different Career Services. This system also fails to recognize specific component accomplishment i.e. offices, division or branch level in that awards are germane to the individual PAR and may not be permitted to cascade downward to lower level SIS officers. There are no ready solutions to the problems mentioned above, however the awards system should be studied further to determine its value to the Agency and alternate approaches to the awards concept. Incidentally SIS awards without a "Merit Pay" concept for GS-13--GS-15 would appear to penalize those GS officers that contribute to the awarded accomplishments.

Purpose 5 ensures systematic development of competent candidates and current SIS officers. As previously discussed the primary developmental thrust is related to specific positions or discipline, whereas management training takes the form of OTE or external courses that expound theory and principles. In order to equip mid-level and junior SIS officers for senior managerial positions, it would seem desirable to place greater emphasis on OJT with regard to the various management functions. With regard to rotational assignments or senior school attendance, the Career Service should be required to define the developmental advantages for the officer involved. Individual development plans for the GS-15 candidate and current SIS officers, identifying specific knowledges, skills, abilities that require improvement and training or rotational assignments designed to improve the officer skills should be instituted and monitored at the Career Service level. In the case of the SIS candidate, individual advisors should be appointed to counsel, guide and evaluate their development.

Purpose 6 relates to sub-performers and prescribes counselling and additional training to overcome officer deficiencies. Here again, the Individual Development Plan could be the vehicle for this purpose coupled with the PAR and advice and counsel from an appointed advisor. I am also of the opinion that the 1-year SIS probationary period should be reinstated as it forces the Heads of Career Service to certify the officers' SIS suitability. This certification may have greater credence in view of the new PAR policy.

Has the SIS Benefited the Agency?

With regard to attracting and retaining competent senior officers or contributing to mission accomplishments, the answer is probably no. Cosmetically, it may have enabled us to keep pace with the rest of the Executive Branch in terms of benefits, however, we now appear to be lagging behind with regard to basic compensation. It would appear that expanded or revitalized programs, increased resources and a greater degree of confidence in the Agency's ability to meet new challenge far overrides the reasons for the quality of our management versus the SIS concept.

Have Our SIS Officers Benefited From the SIS Program

Unlimited accrual of annual leave would appear to be the primary advantage, although many junior SIS officers view this as a long term benefit not immediately realized. The Sabbatical Program, a desirable senior officer development feature, has not been utilized except in one instance for a DDI officer. It would seem that this program would be useful to fill gaps in Agency expertise and to develop the individual officer. Stipends and awards receive mixed reviews in that concerns are expressed over "is the recipient a high performer or in a high visibility position? Performance award winner secrecy promotes suspicion as to the criteria and method of determining awards. Senior managers seem more comfortable by not publicizing performance award winners in that it avoids confrontation with the nonrecipient under his supervision. Here again, this would appear to defeat the purpose of the award

in that the senior manager could take this opportunity to counsel the nonrecipient as to why he or she did not receive an award. (The twenty percent limitation should not be used as blanket excuse for this purpose).

Should There be a Reappraisal of the SIS Program

The CSRA prescribes a comprehensive review of the SES after five years of operation. The SIS will have been in operation for four years in November 1983. It is suggested that a task force of SIS officers representing the Career Services, and OP convene to evaluate the SIS and its sub-elements in depth and recommend desired changes in policy with regard to the personnel management of our senior officers. The task force would be similar to the SIS Advisory Committee that never got off the ground.

Alternative Suggestions

1. Consider an SIS compensation system that is an extension of the current Agency pay study.
2. Discontinue the practice of award allocations to the Career Services that all but forces them to recommend twenty percent for awards.
3. Delegate SIS-1--SIS-2 assignment approvals to Heads of Career Service.
4. Publicize Performance Award recipients.
5. Use sabbaticals more extensively as a senior officer development device.
6. Place greater emphasis on GS-15 candidate development.
7. Place greater emphasis on the Individual Development Plan for candidates and SIS officers.
8. Appoint counsellors for GS-15 candidates.
9. Consider reinstituting the SISAC to review and recommend policy changes.

MIKE C

THE FEDEL

Grace Panel Urges Pay R

At a time when it is proposing major benefit cutbacks for government workers, the Grace Commission—overseer of the President's Private Sector Survey on Cost Control—is also recommending that President Reagan seek pay raises of 20 to 30 percent for Cabinet officers, political appointees and career U.S. executives.

The most attention-getting of the commission's recommendations have been those suggesting that several hundred billion dollars be trimmed from the cost of operating the government. To help accomplish that, the group proposes reducing benefits for government employees and raising the retirement age in government.

But the commission also recommends increased federal expenditures in a number of areas.

The report concludes, for instance, that government executives, responsible for budgets, payrolls and programs that dwarf many Fortune 500 firms, are "underpaid in comparison to their private-sector counterparts." The report notes that private-industry executives with equal responsibilities typically make two to three times more than the secretaries of defense, treasury, state and other Cabinet members, who now make \$80,100 a year.

If Congress and the White House adopt the Grace Commission recommendations on pay—all the commission's proposals fill several volumes the size of telephone books—between 1,500 and 3,000 of the 7,000 members of the Senior Executive Service would be put on a special fast-track system.

It would enable them to compete for higher salaries and bigger bonuses than are currently available to SES members, most of whom are career government workers.

Most of those members work in the Washington area; they currently earn from \$58,938 to \$69,600. Under the Grace Commission plan some or all of those SES members could get pay raises ranging from \$11,000 to nearly \$20,000 a year.

Salaries of top government executives would be reviewed every one or two years by a special commission, which would recommend changes.

II. ISSUE AND RECOMMENDATION SUMMARIES (CONT'D)

B. COMPENSATION AND CLASSIFICATION SYSTEM (CONT'D)

PER 8: EXECUTIVE LEVEL AND SENIOR EXECUTIVE SERVICE (SES) PAY

Issue And Savings

Is the current method of setting pay for the Executive Levels and Senior Executive Service (SES) appropriate?

Although this issue centers on a monetary question, it is doubtful that any changes will result in significant cost savings. At the heart of this issue is the Federal Government's ability to attract and retain individuals with the degree of management expertise and/or potential to effectively manage its vast array of agencies, bureaus, programs, and its overall operation. Although savings or cost avoidances cannot be projected in real dollars, they are inherent in the process.

Background

In November 1981, Senator Ted Stevens requested the Comptroller General of the United States to evaluate his proposal to raise the "pay cap" for Federal career executives. In responding to that request, the Comptroller General, Charles Bowsher, said in part:

In our opinion, the executive pay dilemma is one of the most critical but perhaps least understood and appreciated problems facing the government today. Since March, 1977, (four years) the executive pay ceiling has been increased by only 5.5%. During that same period, retired Federal executives received annuity cost-of-living adjustments totaling 55%; Federal white-collar pay rates have been increased by 38% and private sector executive pay has gone up about 40%.

This essentially states the historic and continuing problem of executive pay in the Federal sector. There are three basic executive categories:

- o The Executive Schedule covering Cabinet Secretaries, Deputy or Under Secretaries, Assistant Secretaries, Congressmen, Senators, Heads of independent agencies, and Board or

Commission members. The Executive Schedule has five levels (level I the highest), each with a single pay rate. Most of these jobs are created by statute and are filled by Presidential appointment with Senate confirmation.

- o The Senior Executive Service (SES) resulting from the Civil Service Reform Act of 1978. Its creators envisioned it as the elite management corps of the Government. It has six levels (level 6 the highest), each with a single pay rate for that level.
- o The Super Grades (GS-16, 17, 18) basically covering high-level staff aides, research scientists, administrative law judges, and heads of advisory bodies.

In the Federal service, the term "executive" generally describes any of the approximately 11,000 positions paid at rates equal to or greater than the rate for a GS-16.

Under the present system, Executive Schedule pay is set in two ways: by an annual adjustment and by a quadrennial adjustment. Congress established the annual adjustment in 1975. The Act provided that executive salaries will be adjusted by a percentage equal to the average percentage adjustment for positions under the General Schedule.

The quadrennial adjustment procedure was initiated by an Act of Congress in 1967 and modified in 1977. Under this Act, a Quadrennial Commission recommends executive salary levels to the President who, in turn, submits his recommendations to the Congress. Approval of both Houses is required before the President's recommendations take effect. Thus, both the President and the Congress play a significant role in the adjustment process. For example, the President can modify the recommendation of the Quadrennial Commission. Likewise, the Congress can change the President's recommendation or deny it completely. The Congress also has the means of denying the annual adjustment tied to the General Schedule annual adjustment.

The pay-setting process for the SES is linked directly to the Executive Schedule. By law, no member of the Service can receive a salary higher than the pay rate for Level IV of the Executive Schedule. These employees are also eligible for annual lump-sum performance awards of up to 20 percent of their base salaries. Currently, no more than 20 percent of the career SES employees in each agency can receive the performance award. ✓

The salary rates for employees (executives) in the GS Super Grades (GS 16, 17, and 18) are extrapolated from the rates set for the remainder of the General Schedule (GS 1-15). However, the Super Grade pay rates are also, by law, linked to the Executive Schedule. Under this law, no ^(GS) employee in GS 16, 17, and 18 can be paid a salary greater than that of Executive Level V. ✓

Methodology

This study was conducted throughout various agencies of the Executive Branch. The base of relevant data was gathered by utilizing the following:

- o Identifying, obtaining, and reviewing reports, studies, and analyses covering this subject,
- o Interviewing personnel within OPM responsible for the administration, policy, and practice of executive pay,
- o Interviewing individual executives whose pay is administered under the provision of executive pay policies,
- o Interviewing executives who have lower-level executives reporting to them,
- o Meeting with regional personnel officials, and
- o Comparing Federal executive pay practices and procedures with those of the private sector.

Findings

This study revealed the following major concerns/problems:

- o Severe pay compression within the various pay schedules under which Federal executives are paid, i.e., people at a number of different pay levels being paid exactly the same salary,
- o Unrealistically low salaries at certain levels,
- o Lack of credibility in the performance award (bonus) program for career executives,
- o Low morale resulting from real or perceived problems,

- o Retirement being more financially rewarding than continued employment due to current pay restraints, and
- o Questions as to whether the SES contains too many positions.

As noted earlier, the pay rates for levels IV and V of the Executive Schedule serve as a pay ceiling or cap for the pay rates of SES and Super Grades. The result is that if the Executive Schedule rates are not adjusted, the SES and Super Grade rates cannot be increased. ✓

Despite the quadrennial review process, no increases for the Executive Schedule were granted between March 1969, and September 1975. During this period, GS pay rates rose an average of 50 percent, and the compression factor created by this is obvious. From October 1975 through October 1981 Executive Schedule increases totaled an average of 35 percent. For the same period, the General Schedule increased approximately 45 percent. Although continuing compression eased during this latter period, the situation has continued to worsen. Table II-19 graphically illustrates the compression that currently exists. The effects of the compression are quite clear, the most obvious being that an employee could be promoted, in some cases, more than one grade or level and not receive a significant salary increase.

Table II-19

EXECUTIVE PAY COMPRESSION

<u>GS 16-18 PAY LEVELS</u>		<u>EXECUTIVE LEVELS</u>	<u>SES PAY LEVELS</u>
		I. \$80,100	
		II. \$69,800	
		III. \$68,400	
		IV. \$67,200	
		V. \$63,800	
GS-18	\$63,800		6. \$67,200
GS-17	\$63,800		5. \$65,000
GS-16	\$59,645		4. \$63,800
			3. \$61,515
			2. \$59,230
			1. \$56,945

The comparatively inadequate executive salaries (when compared to like levels of work and responsibility in the private sector) and pay compression give rise to other concerns as well. One problem is the difficulty of convincing executives to accept positions of greater responsibility that may involve moving to a different part of the country and incurring expenses that are generally necessary in such a move, with no increase in salary.

Because of the limited economic growth potential, there is a problem in recruiting outstanding candidates from the private sector to fill high-level vacancies in the Federal Government. This is a major problem in the medical, legal, and scientific fields. Conversely, the generally higher level of compensation in the private sector for positions similar in nature and scope to the executive positions in the Federal sector is an incentive for Government executives to leave public employment for positions in the private sector.

Another concern is the retirement of Federal executives who should be retained because of their experience and expertise. Full retirement benefits are available for any Government employee who is 55 years old with 30 years of service. The annual cost-of-living adjustments associated with the retirement program give Federal employees greater financial rewards in retirement than continuing to work.

Thus, a major concern is that the Government is losing its most valuable, experienced career executives. According to a study by the Comptroller General, experienced Federal executives at the peak of their managerial career are retiring at an alarmingly high rate. For example, 3,137 career executives retired in 1980, compared with only 508 in 1977.

A survey by the Federal Merit System Protection Board revealed that 25 percent of the SES planned to leave Government service within the next two years and that another 20 percent might do so. Writing on this subject, syndicated columnist Haynes Johnson said, "... the glue that keeps the Government together may be coming unstuck." Between 1977 and 1981, the average length of executive experience dropped nearly 50 percent.

Because the pay caps and resulting compression extends downward as far as GS-15 of the General Schedule, -- the normal feeder position for movement into the Executive positions -- this group is also retiring early. In some cases, they are also declining promotions to SES. There is often too little financial reward with such a move, compared with the increased responsibility.

In testifying before the Senate Committee on Governmental Affairs, the OPM Director commented on recent extensive surveys of both those who have stayed and those who have left Federal service. The surveys revealed that pay was both groups' major concern. It is significant that an even greater percentage said the jobs they left were challenging and satisfying. Two major factors are basically responsible for severe compression of executive salaries:

- o The linkage of Congressional and Executive Level salaries and ✓
- o The limitation of annual pay adjustments of executives which have been imposed by law. ✓

The salaries of Congressmen and Senators are set at Level II of the Executive Schedule (Level I being the highest). All Executive Level pay rates are set by the Congress. Thus, any action taken by the Congress to raise the rate of virtually any Executive Level will likely result in the pay rates of Congress being increased. This is a political issue. Consequently, there have been long periods of drought between Executive Level pay adjustments. As one senior executive interviewed put it, "This linkage essentially puts Congress in the position of holding our Government executives hostage."

SES came into being as part of the Civil Service Reform Act of 1978. Its emergence brought with it a system of performance awards (bonuses) to encourage excellence in performance for career executives.

The pool for voluntary conversion to SES was from among employees in levels IV and V of the Executive Schedule and those in levels 16, 17 and 18 of the General Schedule who met the criteria for admission, as specified in the law. Generally, the majority of employees in the super grades (GS-16, 17, 18) were converted to SES by their own choice.

Our study and analysis of SES as it is currently structured revealed some major concerns. The first concern was that criteria for admission to the SES, as applied, are too open-ended, indefinite, and broad. Many employees feel that there are numerous positions in the Service that should not be there. This opinion includes people currently in SES who believe that only positions requiring a high degree of managerial ability and accountability should be included. ✓

Individuals in SES are considered "executives" and are eligible for bonuses or performance awards. These positions should be equated with executive positions in the private

sector that are also eligible for bonuses and incentives. In the private sector, these are positions that do have significant scope, accountability, and impact on the success of the enterprise.

Currently, there are approximately 6,800 SES members. In our interviews, we were told on numerous occasions that the Service is too large. Opinions on the appropriate size ranged from a low of 1,000 to a high of 3,500.

The second concern was the method for determining performance awards (bonuses). The basic principle of paying for outstanding performance has little credibility with most employees. Some typical reactions are: "It depends on how high your major project or function is on the agency director's priority list." "The awards are given at the higher pay levels to compensate for pay caps and compression." "If you and your activities are highly visible, you have a better chance of getting a bonus."

Current legislation allows 20 percent of SES members in an agency to receive awards. Most of the people interviewed would prefer a system whereby an agency would receive a pool of funds for performance awards and could award them as management deemed appropriate.

Conclusions

The pay compression which exists for all levels of Federal employees who are generally classified as "executives" is intolerable. The significant numbers of executives at many different pay levels, who receive exactly the same salary because of pay caps, is unfair. ✓

The loss of purchasing power for this group, due to the infrequent adjustment of their salaries, is having a severe negative impact on the career executives and the efficient management of the Federal Government. Morale is low, and low morale is generally equated with decreased productivity. The most experienced, retirement-eligible executives are leaving in increasing numbers, either to the private sector or to the more financially rewarding world of retirement where they are guaranteed cost-of-living adjustments. This situation has been referred to as "the Federal brain drain." ✓

The performance awards (bonuses) system for executives, designed to enhance productivity, has been of questionable value. This is not to say that the concept does not have merit, but that the current administration of the system is not achieving its desired effect.

The current linkage between Congressional salaries and those of career and noncareer executives is a situation that must be corrected if the Federal Government is expected to attract and retain people with the background and competence to effectively and efficiently administer Government business. ✓

There are too many positions with widely varying levels of responsibility in the SES. ✓

Recommendations

PER 8-1: The Director of OPM should begin an in-depth study to determine which SES positions have the scope, accountability, and impact to warrant bonus eligibility and a higher salary schedule. The following criteria should be studied:

- o The size of the organization over which the individual has management responsibility,
- o The financial and physical resources controlled by the position, and
- o The visibility and strategic importance of the position.

These criteria would eliminate positions currently within the SES which essentially perform staff support functions and should not be defined as Executive Level positions. This would result in a relatively small group which would comprise the SES. The current positions deemed nonbonus eligible could be placed in the Super Grades (GS-16, GS-17, and GS-18). There should be no pay linkage between the proposed SES and the Executive Schedule.)) ✓

PER 8-2: After action is completed on recommendation PER 1, legislation should be developed to:

- o Increase Executive Level and SES salary rates by 20 to 30 percent to enhance the recruitment of the best executives for the top Federal positions,
- o Establish a 10 to 15 percent differential between each of the five salary levels of the Executive Schedule,
- o Provide an annual or biannual review of Executive Schedule salaries, and
- o Separate the salary of the Congress from that of the Executive Schedule.

Savings and Impact Analysis

The savings associated with the foregoing recommendations are abstract in that they cannot be measured in terms of definite dollars. As noted earlier, this issue centers on the Federal Government's ability to attract and retain key executive management personnel capable of effective and efficient management of people, projects, time, and budgets. The opportunities for savings are inherent in this process.

It is obvious that recommendations submitted herein will generate added costs. Conversely, it is an accepted principle that effective and efficient management does generate long-term savings and operating efficiencies that cannot be projected. There will also be some tradeoff against the increased salary costs if the numbers of senior executive positions are reduced.

Implementation

Steps to implement the recommendations contained herein should start immediately. The implementation of the criteria contained in PER 8-1 would eliminate positions currently within SES that essentially perform staff support functions and should not be defined as Executive Level positions. We believe that these criteria are compatible with the legislative definition of SES. Changes in the pay structure of the Executive Levels and SES will require action by Congress. ✓)

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III. SUMMARY LIST OF RECOMMENDATIONS AND SAVINGS

ISSUES AND RECOMMENDATIONS	IMPLEMENTATION AUTHORITY (A) Agency (C) Congress (P) President	SAVINGS			TOTAL	
		YEAR 1	YEAR 2			
			YEAR 2	YEAR 3		
<u>Civil Service Retirement System (PER 1)</u>			(\$ billions)			
The normal retirement age should be raised from age 55 to age 62. (PER 1-1)	C	\$4.80	\$5.28	\$5.81	\$15.89	
The retirement benefit should be modified to average salary over five years instead of three. (PER 1-2)	C					
The crediting of unused sick leave as extra service for retirement purposes should be discontinued. (PER 1-3)	C					
The pension benefit should be reduced by 1/3% (rather than 1/6%) for each month that retirement precedes the normal retirement age. Agencies using early retirement provisions to solve staffing problems should be charged with resulting additional costs. (PER 1-4)	C					

ISSUES AND RECOMMENDATIONS	IMPLEMENTATION	SAVINGS			
	AUTHORITY	YEAR 1	YEAR 2	YEAR 3	TOTAL
	(A) Agency (C) Congress (P) President				
Disability provisions should be removed from the retirement system and replaced by a separate long-term disability plan. (PER 1-5)	C				
Reductions to retirement benefits for survivor coverage should be based on true actuarial factors. Current provision for survivor benefits to young adults between ages of 18 and 22 (students) should be eliminated. (PER 1-6)	C				
Cost of Living Allowances (COLAs) for Federal retirees should be based on the lower of the CPI or the General Schedule pay increase as follows:					
(a) Under 62 -- 33% of increase.					
(b) Over 62 -- 70% of increase.	C				
(c) Retirees whose annuities exceed current retirees with the same work history -- 50% of increase.					
(d) Retirees who are eligible for Social Security benefits -- 33% of increase. (PER 1-7)					

Federal employees should be covered under Social Security on the following basis:

ISSUES AND RECOMMENDATIONS	IMPLEMENTATION AUTHORITY (A) Agency (C) Congress (P) President	YEAR 1	SAVINGS		TOTAL
			YEAR 2	YEAR 3	
(a) Mandatory for all new employees.					
(b) Mandatory for current employees under age 45.	C				
(c) Optional for employees 45 and older.					
(d) The Federal retirement system should be redesigned to integrate with Social Security in accordance with private sector prevailing practice. (PER 1-8)					
<u>Federal Employees Health Benefit Program (PER 2)</u>			(\$ millions)		
		\$417	\$452	\$487	\$1,356
Conduct open enrollment only in <u>alternate years</u> beginning in November 1983, and require enrollees to remain in a plan, once chosen, until the next open enrollment except in limited circumstances. (PER 2-1)	A				
Provide that employee organizations may not exclude annuitants from coverage. (PER 2-2)	A				

ISSUES AND RECOMMENDATIONS	IMPLEMENTATION	SAVINGS			
	AUTHORITY	YEAR 1	YEAR 2	YEAR 3	TOTAL
	(A) Agency (C) Congress (P) President				
Keep separate experience for employees, annuitants without Medicare, and annuitants with Medicare. Develop a system for acknowledging the different needs and experience of those groups in benefits, premiums, and Government contributions. (PER 2-3)	A				
Require all plans to offer minimum benefits at least equal in value to those under Medicare. (PER 2-4)	A				
Limit choice of Health Maintenance Organizations in any geographic service area to a maximum of three or four, with at least one prepaid group practice plan and one individual practice plan. (PER 2-5)	A				
Limit health benefits coverage in employee association plans to regular members and annuitants. (PER 2-6)	A				
Deduct Medicare benefits from the Federal Employee's Health Benefits Program without "fill-in" for annuitants eligible for Medicare. (PER 2-7)	A				

ISSUES AND RECOMMENDATIONS	IMPLEMENTATION	SAVINGS			
	AUTHORITY	YEAR 1	YEAR 2	YEAR 3	TOTAL
	(A) Agency (C) Congress (P) President				
Explore and develop a system for obtaining bids on the Government-wide plans to ensure all vendors are encouraged to participate and a variety of cost containment ideas are explored. (PER 2-8)	A				
Make cost containment a top priority by establishing or strengthening such practices as:					
(a) Setting and enforcing minimum standards for claims processing and audit,					
(b) Auditing utilization rates for all plans and replacing those that are not cost-effective,	A				
(c) Encouraging and monitoring conventional cost containment measures including hospital bed reductions, effective peer review, and coalition activities, and					
(d) Cooperating with the states in cost containment activities, such as hospital rate review. (PER 2-9)					

ISSUES AND RECOMMENDATIONS	IMPLEMENTATION	SAVINGS			
	AUTHORITY	YEAR 1	YEAR 2	YEAR 3	TOTAL
	(A) Agency (C) Congress (P) President				
Greatly improve the format and reliability of the informational materials for employees, annuitants and administrators and assure that it reaches them in a timely manner. (PER 2-10)	A				
Eliminate the 75% ceiling contribution to allow employees who select a low cost plan to benefit fully from the lower premium. (PER 2-11)	C				
Encourage the Office of Personnel Management to work out an effective system for varying premiums by broad geographic areas. (PER 2-12)	C				
Require that benefits for annuitants be included as part of the budget for the agency from which retired to focus attention on the high cost of those benefits. (PER 2-13)	C				
Bring the annuitant and survivor eligibility requirements for the Federal Employee's Health Benefits Program in line with private sector practice. (PER 2-14)	C				

<u>ISSUES AND RECOMMENDATIONS</u>	<u>IMPLEMENTATION</u>					
	<u>AUTHORITY</u>					
	(A) Agency	(C) Congress	<u>SAVINGS</u>			
	(P) President		<u>YEAR 1</u>	<u>YEAR 2</u>	<u>YEAR 3</u>	<u>TOTAL</u>
Specify a standard reserve requirement for all plans against plan failure, with the Office of Personnel Management to hold the reserve. (PER 2-15)		C				
Authorize the Office of Personnel Management to establish a demonstration project or projects to explore more thoroughly the pro-competition approach to health benefits financing (such as the "voucher" approach). Under the project, employees and annuitants would be allowed a fixed amount (which could vary by family status, employment status, eligibility for Medicare, and geographic location) to apply toward health benefits coverage. They could purchase coverage from any carrier approved by the Office of Personnel Management. Amounts would be set at a level which would result in approximately the same initial cost as under the present program. Experience would be compared with that of a control group over an appropriate period of time. (PER 2-16)		C				

ISSUES AND RECOMMENDATIONSAnnual Leave (PER 3) *accrue or use?*

Amend the U.S. Code to provide that an employee is entitled to annual leave only after being employed for 180 days of continuous service. (PER 3-1)

Amend the U.S. Code to provide that an employee is entitled to annual leave with pay which accrues at the rate of 1/26th of the maximum annual amount for each full biweekly pay period. The maximum annual amount, recommended by years of service, is as follows:

- o 10 days for an employee with less than 3 years service.
- o 12 days for an employee with 3 but less than 5 years of service.
- o 14 days for an employee with 5 but less than 10 years of service.
- o 17 days for an employee with 10 but less than 15 years of service.

IMPLEMENTATIONAUTHORITY

(A) Agency (C) Congress
(P) President

<u>YEAR 1</u>	<u>SAVINGS</u>		<u>TOTAL</u>
	<u>YEAR 2</u>	<u>YEAR 3</u>	
	(\$ billions)		
\$1.17	\$1.26	\$1.36	\$3.79

C

ISSUES AND RECOMMENDATIONS	IMPLEMENTATION AUTHORITY		SAVINGS			TOTAL
	(A) Agency (C) Congress (P) President		YEAR 1	YEAR 2	YEAR 3	
o 20 days for an employee with 15 but less than 20 years of service.						
o 23 days for an employee with 20 but less than 25 years of service.						
o 26 days for an employee with 25 or more years of service. (PER 3-2)		C				
<i>(Begin accrual over again each year?)</i> Amend the U.S. Code to provide that <u>annual leave which is not used by an employee in the calendar year shall be forfeited.</u> (PER 3-3)		C				
<u>Sick Leave (PER 4)</u>						
Amend the U.S. Code to provide that <u>sick leave accrued</u> under this section, which is not used by an employee, accumulates for use in succeeding years until it totals <u>not more than 130 days</u> at the beginning of any full biweekly pay period, or corresponding period for an employee who is not paid on the basis of biweekly pay periods. (PER 4-1)		C	\$1.1	\$1.2	\$1.3	\$3.6

ISSUES AND RECOMMENDATIONS	IMPLEMENTATION AUTHORITY	SAVINGS			
	(A) Agency (C) Congress (P) President	YEAR 1	YEAR 2	YEAR 3	TOTAL
Provide for carryover of accumulated leave earned before the legislation recommended in PER 4-1 becomes effective. (PER 4-2)	C				
<u>The Federal Position Classification System (PER 5)</u>			(\$ millions)		
The Office of Personnel Management should initiate a complete redesign and simplification of the classification standards format. (PER 5-1)	A	\$993	\$1,590	\$2,207	\$4,790
The Office of Personnel Management should assure that classification standards are reviewed and updated on a five year cycle. (PER 5-2)	A				
The Office of Personnel Management should intensify efforts to reduce overgrading by:					
(a) Assigning to one Associate Director responsibility for the total pay system,					
(b) Providing for evaluation criteria in the performance appraisal system covering accuracy of classification and good position management,					

ISSUES AND RECOMMENDATIONS	IMPLEMENTATION AUTHORITY		SAVINGS			TOTAL
	(A) Agency	(C) Congress	YEAR 1	YEAR 2	YEAR 3	
	(P) President					
(c) Providing for appropriate use of special rates, incentive awards, and quality step increases to reduce pressure to upgrade jobs,						
(d) Requiring quarterly reports appraising quality of agency classification performance, and						
(e) Insuring that agency classifiers are protected from improper pressure to raise grades. (PER 5-3)		A				
The President should issue a directive requiring phased reduction in overgrading. The directive should require a three year timetable to reduce misclassification to 5% or less. (PER 5-4)		P				
A Presidential memorandum should be issued to all agency heads placing priority on the development and implementation of position management plans. (PER 5-5)		P				
The Office of Personnel Management should provide technical guidance to agencies and provide follow up on programs of position management. (PER 5-6)		A				

ISSUES AND RECOMMENDATIONS	IMPLEMENTATION AUTHORITY		SAVINGS			TOTAL
	(A) Agency (C) Congress (P) President		YEAR 1	YEAR 2	YEAR 3	
The Office of Personnel Management should report, with specific recommendations, to agency heads on the operation of their position management programs. (PER 5-7)	A					
Agencies which perform well in their position management programs should carry this credit in their budget dealings with the Office of Management and Budget. (PER 5-8)	A					
<u>Pay Comparability (PER 6)</u>						
				(\$ billions)		
The Office of Personnel Management and the Bureau of Labor Statistics should expand the PATC survey to include the full spectrum of positions at all levels. (PER 6-1)	A		\$1.2	\$1.2	\$1.2	\$3.6
<i>Might be well be continuous</i> The requirement for an annual comparability survey should be changed to provide for biannual surveys. (PER 6-2)	C					
The comparability survey should be expanded to include state and local governments and nonprofit organizations. (PER 6-3)	C					
The Office of Personnel Management should reduce the current minimum size criteria for the survey to include firms with 25 and more employees. (PER 6-4)	A					

<u>ISSUES AND RECOMMENDATIONS</u>	<u>IMPLEMENTATION AUTHORITY</u> (A) Agency (C) Congress (P) President	<u>SAVINGS</u>			<u>TOTAL</u>
		<u>YEAR 1</u>	<u>YEAR 2</u>	<u>YEAR 3</u>	
Pay for clerical, technical and support jobs should be based on local prevailing rates. (PER 6-5)	C				
The General Schedule should be expanded to more than 15 basic pay levels to accommodate the many different jobs in the Federal service. (PER 6-6)	C				
<u>Blue Collar Pay Comparability (PER 7)</u>					
			(\$ millions)		
Redesign the current five step pay range to a three step structure to bring the range more in line with local prevailing rates. (PER 7-1)	C	\$500	\$550	\$605	\$1,655
Include positions in state and local government and nonprofit organizations in the wage survey process. (PER 7-2)	C				
Repeal the Monroney Amendment which provides for out-of-area data in wage surveys. (PER 7-3)	C				
Repeal the current requirement for nationwide shift differentials. Provide for differentials on the basis of local prevailing practice. (PER 7-4)	C				

ISSUES AND RECOMMENDATIONS	IMPLEMENTATION AUTHORITY	SAVINGS			
	(A) Agency (C) Congress (P) President	YEAR 1	YEAR 2	YEAR 3	TOTAL
Provide for a single method of computing overtime. (PER 7-5)	C				
<u>Executive Level and Senior Executive Pay (PER 8)</u>					No measurable savings
The Office of Personnel Management should review existing Senior Executive Service positions with the intent of removing from that Service positions that do not have the scope of responsibility to warrant bonuses and a higher salary schedule. (PER 8-1)	A				
Increase Executive Level and Senior Executive Service salary rates by 20 percent to 30 percent and provide for significant differentials between salary levels. (PER 8-2)	C				
<u>The Employment Process and Public Information (PER 9)</u>					\$2 million over three year period
The Office of Personnel Management should redefine its role in providing public information on Federal job availability. The intent should be to limit applicant inquiry to that relevant to agency staffing needs. (PER 9-1)	A				
Public information programs should be specifically targeted for greatest potential. (PER 9-2)	A				

<u>ISSUES AND RECOMMENDATIONS</u>	<u>IMPLEMENTATION AUTHORITY</u> (A) Agency (C) Congress (P) President	<u>SAVINGS</u>			<u>TOTAL</u>
		<u>YEAR 1</u>	<u>YEAR 2</u>	<u>YEAR 3</u>	
The use of automated techniques and "form" replies should be increased to provide for faster and more economical responses to job inquiries. (PER 9-3)	A				
<u>Employment Process and Automated Examining (PER 10)</u>			(\$ thousands)		
The Office of Personnel Management should expand substantially their automated examining programs. (PER 10-1)	A	(\$100)	\$13	\$1,010	\$923
<u>Reduction in Force (PER 11)</u>					
Provide that a competitive area may consist of all parts of an agency. This will eliminate problems of interpreting present references in the regulations to "single administrative authority" and "primary subdivision." (PER 11-1)	A				Would have saved \$39.5 million in RIFs occurring in FY 1982
Allow agencies to use separate competitive areas for secretarial, clerical, and wage system employees within a commuting area. This would recognize the transferability of clerical skills, establish clerical competitive areas across organizational lines, and provide for adequate competition. (PER 11-2)	A				

ISSUES AND RECOMMENDATIONS	IMPLEMENTATION	SAVINGS			
	AUTHORITY	YEAR 1	YEAR 2	YEAR 3	TOTAL
	(A) Agency (C) Congress (P) President				
Eliminate the requirement for separate competitive levels for supervisors based on labor relations definition. Some of these employees have little or no experience as supervisors and should be grouped with non-supervisory positions. (PER 11-3)	A				
Eliminate the requirement that career (permanent) employees be categorized into two groups for retention standing -- career and career-conditional. There is no significant difference between those categories. (PER 11-4)	A				
Eliminate absolute veterans preference in determining the order of release of employees. Provide for retention on following basis:	A				
(a) Length of service -- one point for year of service,					
(b) Veterans preference -- ten additional points,					
(c) Outstanding performance -- ten additional points,					
(d) Exceeds fully satisfactory performance -- five additional points, and					

<u>ISSUES AND RECOMMENDATIONS</u>	<u>IMPLEMENTATION</u>		<u>SAVINGS</u>			
	<u>AUTHORITY</u>		<u>YEAR 1</u>	<u>YEAR 2</u>	<u>YEAR 3</u>	<u>TOTAL</u>
	(A) Agency (C) Congress	(P) President				
(e) Less than fully satisfactory performance -- minus ten points. (PER 11-5)						
Limit the number of grades to which an employee can bump or retreat to the next lower appropriate grade interval. (PER 11-6)		A				
Require that employees who would otherwise be separated or downgraded be assigned to vacant positions which the agency intends to fill within three months. (PER 11-7)		A				
Revise the regulations governing Re-employment Priority Lists to:		A				
(a) Place a greater obligation on the separated employee to accept positions,						
(b) Eliminate requirement for promotion consideration, and						
(c) Limit listing of employees to one year after separation. (PER 11-8)						

ISSUES AND RECOMMENDATIONS	IMPLEMENTATION	SAVINGS			TOTAL
	AUTHORITY	YEAR 1	YEAR 2	YEAR 3	
	(A) Agency (C) Congress (P) President		(\$ billions)		
<u>Permanent Employment Versus Contracted Services (PER 12)</u>		\$1.0	\$1.1	\$1.2	\$3.3
Legislation should be passed which would:	C				
(a) Establish a national policy on acquiring goods and services from the private sector when justified on basis of cost,					
(b) Provide the Office of Management and Budget with authority to approve exceptions to the general policy, and					
(c) Provide for a less complex system of cost comparison. (PER 12-1)					
<u>Instructional Television Production Facilities (PER 13)</u>		\$7.5	(\$ millions)		\$24.9
			\$8.3	\$9.1	
The Office of Personnel Management should be designated as a "broker" to coordinate the use of instructional television facilities. (PER 13-1)	A				
The Office of Personnel Management should develop a simplified procedure by which agencies can procure instructional television productions. (PER 13-2)	A				

ISSUES AND RECOMMENDATIONS	IMPLEMENTATION	SAVINGS			
	AUTHORITY	YEAR 1	YEAR 2	YEAR 3	TOTAL
	(A) Agency (C) Congress (P) President				
The Office of Personnel Management should establish simplified accounting and funding procedures to allow central coordination and funding of television production needs. (PER 13-3)	A				
<u>Duplication of Supervisory Training (PER 14)</u>			(\$ millions)		
		\$20	\$22	\$24	\$66
The Office of Personnel Management should identify basic skills and competencies required for effective supervisory performance. (PER 14-1)	A				
The Office of Personnel Management should develop course outlines, curricula, and training aids for basic supervisory training courses. (PER 14-2)	A				
The Office of Personnel Management should provide for certification of agency instructors in supervisory training. (PER 14-3)	A				
The Office of Personnel Management should set up an audit system to assure that first line supervisors receive basic skills training. (PER 14-4)	A				

ISSUES AND RECOMMENDATIONS	IMPLEMENTATION	SAVINGS			
	AUTHORITY	YEAR 1	YEAR 2	YEAR 3	TOTAL
	(A) Agency (C) Congress (P) President				
The Office of Personnel Management should monitor proposed contracts for development of generic supervisory training courses to avoid costly duplication of effort. (PER 14-5)	A				
The Office of Personnel Management should provide a clearinghouse for supervisory training courses. (PER 14-6)	A				
<u>Executive Seminar Centers (PER 15)</u>			(\$ thousands)		
The Office of Personnel Management should initiate a search for a new location for the current Denver Executive Seminar Center. (PER 15-1)	A	\$355	\$886	\$1,012	\$2,253
Final location for the new Western Center (currently Denver) should be selected only after a thorough cost comparison study. (PER 15-2)	A				
A site search for a new Northeast Corridor Center (currently Kings Point, N.Y.) should be initiated -- also based on a cost comparison. (PER 15-3)	A				
The operations of the Oak Ridge Center should be monitored to determine if there is excess space which could be turned back to the General Services Administration. (PER 15-4)	A				

<u>ISSUES AND RECOMMENDATIONS</u>	<u>IMPLEMENTATION AUTHORITY (A) Agency (C) Congress (P) President</u>	<u>SAVINGS</u>			<u>TOTAL</u>
		<u>YEAR 1</u>	<u>YEAR 2</u>	<u>YEAR 3</u>	
The professional staff at the Executive Seminar Centers should be cut by five professionals. (PER 15-5)	A				
<u>Productivity (PER 16)</u>			(\$ billions)		
The Office of Management and Budget should establish a permanent group charged with promoting and coordinating productivity efforts. (PER 16-1)	A	\$3.180	\$3.498	\$3.848	\$10.53
The Office of Personnel Management should provide support services for the productivity effort in such areas as training, seminars, etc. (PER 16-2)	A				
Existing incentive awards authorities should be used to recognize managers who achieve significant productivity improvement. (PER 16-3)	A				
Performance appraisals should include an evaluation of managers' participation in productivity improvement. (PER 16-4)	A				
The Office of Management and Budget should identify and move to eliminate all disincentives in productivity improvement. (PER 16-5)	A				

<u>ISSUES AND RECOMMENDATIONS</u>	<u>IMPLEMENTATION</u>		<u>SAVINGS</u>			
	<u>AUTHORITY</u>		<u>YEAR 1</u>	<u>YEAR 2</u>	<u>YEAR 3</u>	<u>TOTAL</u>
	(A) Agency (C) Congress	(P) President				
<u>Duplication of Personnel Servicing (PER 17)</u>						\$61.2 million from entire effort.
All agency heads should review servicing personnel offices to determine candidates for consolidation. (PER 17-1)		A				
Each agency head should report the results of the review to the Director of the Office of Personnel Management and the Director of the Office of Management and Budget. (PER 17-2)		A				
Agency heads should consider personnel administrative services as areas for sharing across the entire agency. (PER 17-3)		A				
Agency heads should set standards for minimum size of personnel offices. Any that do not meet this standard should normally be combined with other offices. (PER 17-4)		A				
The Office of Personnel Management should provide for interagency sharing of personnel services among the smaller agencies and recommend successful models for consolidation of the service. (PER 17-5)		A				

<u>ISSUES AND RECOMMENDATIONS</u>	<u>IMPLEMENTATION</u>		<u>SAVINGS</u>			
	<u>AUTHORITY</u>		<u>YEAR 1</u>	<u>YEAR 2</u>	<u>YEAR 3</u>	<u>TOTAL</u>
	(A) Agency	(C) Congress				
	(P) President					
<u>Workforce Planning (PER 18)</u>			No savings projected			
The Office of Personnel Management should develop a specific workforce planning policy and procedures for agency use. (PER 18-1)	A					
The Office of Personnel Management should utilize private sector expertise in the development of policy and procedures. (PER 18-2)	A					
The new procedures should be tested by at least two agencies. (PER 18-3)	A					
If the test is successful, all Federal Agencies should be required to use the procedures. (PER 18-4)	A					